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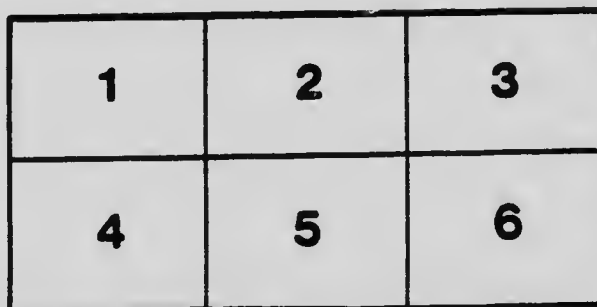
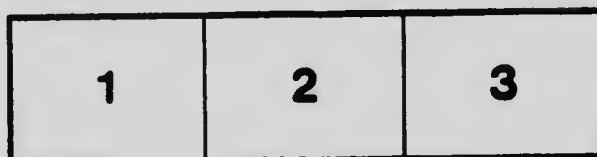
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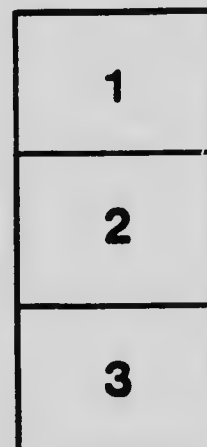
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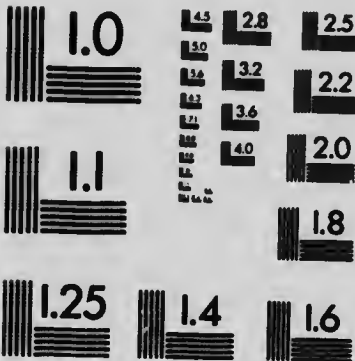
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**The Lindsay, Bobcaygeon and
Pontypool Railway
Company**

LESSOR

AND

**The Canadian Pacific Railway
Company**

LESSEE

LEASE

DATED JULY 1st, 1903

CLARKE, BOWES & SWABEY
SOLICITORS
MAIL BUILDING - TORONTO

**The Lindsay, Bobcaygeon and
Pontypool Railway
Company**

LESSOR

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LESSEE

L E A S E

CLARKE, BOWES & SWABEY

SOLICITORS

MAIL BUILDING - TORONTO

DATED JULY 1st, 1903

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This Indenture. made in triplicate the first day of July, one thousand nine hundred and three between THE LINDSAY, BOBCAYGEON AND PONTYPOOL RAILWAY COMPANY, hereinafter called "the Lessor" of the First Part, and THE CANADIAN PACIFIC RAILWAY COMPANY, hereinafter called "the Lessee" of the Second Part.

WHEREAS the Lessor has, under and by virtue of its Act of Incorporation being the Act of the Parliament of Canada, 53 Victoria, Chapter 55, power to lease or convey to the Lessee the Railway hereinafter demised ;

AND WHEREAS an Act of the Parliament of Canada (53 Victoria, Chapter 47), enacts, in effect, that the Lessee may enter into a lease of the line of any other company in Canada which has been empowered by the Parliament of Canada to make or grant the same to the Lessee, and upon such terms and conditions, and for such period as are from time to time agreed upon by the Boards of Directors of the respective companies ;

AND WHEREAS the Lessor and the Board of Directors of the Lessee have agreed that the Lessor shall lease to the Lessee the line of railway of the Lessor hereinafter described, whether now constructed or hereafter to be constructed, for the period and on the terms and conditions hereinafter specified ;

NOW THEREFORE THIS INDENTURE WITNESSETH : that in consideration of the covenants on the part of the Lessee hereinafter contained, the Lessor doth hereby grant, let and demise to the Lessee, its successors and assigns, the whole of the railway which it has been by law authorized to construct, whether constructed or to be constructed, from Burketon in the County of Durham (being a point on the line of the Canadian Pacific Railway Company), thence to the Town of Lindsay, in the County of

Victoria, and thence through the said town to the Village of Bobcaygeon, in the said County of Victoria, in all about forty miles, together with the appurtenances, including amongst other things all tracks, sidings, water tanks, water rights, turntables, land, stations, station grounds, freight houses, buildings, erections and structures of every kind which may have been or may be acquired for use in connection therewith, and all powers, privileges and franchises in respect of the said railway, all which railway and appurtenances are hereinafter called "the demised railway."

TO HAVE AND TO HOLD the same and every part thereof unto the Lessee, its successors and assigns, for and during the term of ninety-nine years to be computed from the date of these presents and from thence next ensuing and fully to be complete and ended free from all charges or encumbrances of any kind whatsoever save and except bonds to the amount of seven hundred thousand dollars (\$700,000) bearing four per cent. interest payable half yearly running for ninety-nine years concurrently with the term hereby granted, and secured by a first mortgage on the demised railway and of which bonds only five hundred thousand dollars (\$500,000) are to be issued at present and the remainder, two hundred thousand dollars (\$200,000), are to be held by trustees subject to the terms of an agreement between the Lessor and the Lessee and James B. Clarke and R. H. Bowes bearing even date herewith. YIELDING AND PAVING THEREFOR to the Lessor, its successors and assigns, yearly and every year during the said term the annual rent which the Lessee hereinafter covenants to pay, such rent to be paid at the respective days and times and in the manner and upon the terms and conditions hereinafter specified.

The Lessor, for itself and its successors doth hereby covenant with the Lessee, its successors and assigns, as follows, that is to say:

1. That the lessor will not at any time hereafter except as herein provided for, without the consent of the Lessee given in writing under its Corporate Seal, issue any Bond or Debenture or Preference Stock or create any other financial obligation which would at any time be an encumbrance on the said demised railway or any part thereof.

2. That during the said term the Lessee may exercise all the franchises and powers of the Lessor in respect of the running of the demised railway and of every part thereof, and also in respect of the acquisition of increased areas of land for station grounds, right of way, protection against snow, sidings and other purposes, and may take such legal proceedings as are deemed to be necessary or expedient in the exercise of the said franchises or powers or any of them, and for that purpose may use the name of the Lessor and of the officers thereof, which officers are hereby authorized and required upon the demand of the Lessee to append their signatures and to affix the seal of the Lessor to any document which may be useful in the exercise of any such franchise.

3. That the Lessor will, at the request of the Lessee, affix the name and seal of the Lessor and do all acts, matters and things as and when the same may be necessary for the convenient, efficient and effectual working of the demised railway and for carrying out and giving effect to this lease and the Lessee may during the said term make and enforce such lawful rules, regulations and by-laws touching or concerning the running and operation of the demised railway as shall be required for the efficient and advantageous administration, management and operation thereof and for the preservation of order thereon and may fix and regulate from time to time and amend and alter the tariff of rates and tolls to be exacted for the carriage of freight and passengers over the said line, and if the Lessee shall deem it expedient that such by-laws, rules and regulations, or tariff or any of them should

be made by the Lessor then the shareholders, board of directors and officials of the Lessor shall make such by-laws, rules and regulations and do all such matters and things to complete and perfect the same as shall be reasonably required of them; but such by-laws, rules and regulations and such tariff, by whomsoever made and passed, shall be subject to the provisions of any Act or Acts of the Dominion Parliament applicable to the demised railway: and the lessor will allow the Lessee to use the name of the Lessor in any suit or proceedings in which it will be necessary to use the same in connection with the working of the demised railway, but all costs, damages and expenses, which may arise from the use of the name of the Lessor shall be borne and paid by the Lessee.

4. That the Lessee paying the rent and observing the provisions of this lease and all covenants on its part to be fulfilled, shall have peaceable and undisturbed possession of the demised railway and the properties, rights and franchises hereby demised during the said term, without any lawful interruption by the Lessor or any other person or persons whomsoever.

And the Lessee covenants with the Lessor and its assigns as follows, that is to say:

5. That the Lessee will, during the said term, operate and work the demised railway regularly and efficiently as part of the Canadian Pacific Railway System and will, at its own expense, find all necessary rolling stock, tools, furniture and appliances and all necessary means, men and labour.

6. That during the said term the Lessee will, subject as hereinafter mentioned, pay to the Lessor by way of rent a sum equal to forty per cent. per annum of the amount actually received by the Lessee as gross earnings from such railway and appurtenances without any deduction whatsoever on account of operating expenses, taxes or

any other outlay which the Lessee is to bear under the terms of this indenture or on any other account whatsoever, but such sum shall not exceed Twenty-eight thousand dollars in any one year. Such payments shall be made half-yearly on or before the last day of January and July in each year in respect of the half year ending on the last day of the month preceding such payment. If during any such half-yearly period the sum yielded by such forty per cent. of the gross earnings be less than Ten thousand dollars the Lessee shall pay to the Lessor by way of rent a further sum sufficient to make up the difference between such forty per cent. of the gross earnings and the said sum of Ten thousand dollars for such half year, provided that the Lessee shall not be required to thus insure and guarantee to the Lessor a greater annual rental than twenty thousand dollars for each year commencing on 1st July and ending on 30th June and provided further that any such deficiency so made up by the Lessee in any one half year may be set off against a surplus in the other half of the same year commencing 1st July, but the deficiency for a whole year shall not be charged against or deducted from the Lessor's forty per cent. of the earnings of any subsequent year or years.

PROVIDED ALWAYS that the said rental shall not commence to run until the Lessee shall have entered into possession and begun to operate the said demised railway and that for the portion of the year (if any) between the time when operations shall have commenced and the 30th June or 31st December, as the case may be, the rent shall be apportioned upon the basis of such forty per cent. of gross earnings with a minimum of twenty thousand dollars and a maximum of twenty-eight thousand dollars per annum as above.

AND WHEREAS the Lessor desires that the said rent to the extent of \$20,000 per annum be applied in payment of the interest on the bonds to be issued and negotiated

as aforesaid, to wit: Bonds to the amount of five hundred thousand dollars, which interest falls due at the Bank of Montreal in the City of Toronto on the first day of January and the first day of July, respectively, in each year.

It is, therefore, further provided that notwithstanding anything hereinbefore contained, so much of the said rent as shall be necessary to pay the interest on such bonds, to wit: Twenty thousand dollars thereof shall be payable half-yearly, ten thousand dollars on the first day of January and ten thousand dollars on the first day of July in each year instead of on the last days of said months as above provided, and the Lessee doth hereby covenant and agree with the Lessor to make such payments at the Bank of Montreal, in the City of Toronto on the first day of January and the first day of July in each and every year in accordance with this provision.

7. The words "gross earnings" herein mean the amount actually received for all tolls, rates, charges and other payments for the carriage of any passenger, animal, vehicle goods, merchandise, matter or things conveyed on the said railway or any part thereof, together with the pro rata mileage proportion of the joint earnings on all traffic interchanged between the demised railway and that of the Lessee or in respect of the exercise by any other railway of running powers over the demised railway without any deduction whatsoever.

8. That during the said term the Lessee will render to the Lessor half-yearly, true and just accounts and statements in writing of the said earnings and will allow proper inspection of all books, accounts, returns and vouchers for the purpose of checking or verifying the same or any of them, such half-yearly accounts to be rendered not later than the last days of January and July in each year for the half year ending on the last day of the month previous, such accounts to show the gross earnings of the demised

railway under the following heads " Passengers," " Freight," " Mails" and " Sundries," the last named term to cover everything not included under the other three headings; and the Lessor shall have the right from time to time to employ an auditor to investigate the accuracy of the said statements or accounts, and the Lessee shall from time to time afford all proper facilities for such investigation, and the Lessee shall pay the said forty per cent. of the said gross earnings when the half-yearly statements or accounts are rendered as aforesaid, but the acceptance of any such payment before an audit or verification shall not prejudice the rights of the Lessor to an audit or verification or to demand and collect such further sum, if any, as it shall be justly entitled to.

9. That during the said term the Lessee shall keep the demised railway and all buildings, property and appurtenances connected therewith in good repair, order and condition, and will, during the said term, pay all taxes, assessments and impositions, payable either by the landlord or tenant, in respect to the demised railway or the traffic over it or the earnings thereof including any corporation tax which may be imposed or levied by the Provincial Government.

10. That the Lessee will, during the said term provide and run over the demised railway duly equipped trains for the carriage of passengers and freight, as frequently as shall be necessary for the traffic of the country through which the demised railway is constructed and except during the period of a strike (if any occur) amongst the Lessee's employees, and unless some accident prevent, it will run at least two trains carrying passengers each way on every business day, and generally will operate and work the demised railway so as to secure therefor as much traffic as is possible, within such limits of expenditure as would be adopted by any well managed railway company working the same entirely on its own account.

11. That the Lessee shall during the said term protect the Lessor against any loss, damage or claim that may arise in working the demised railway under the said lease, and shall do and perform all the acts, conditions, matters and things which the Lessor is bound by its charter to do and perform in respect of the demised railway and of the Government of Canada.

12. That the Lessee shall during the said term bear and pay all expenses incurred in doing and performing all such acts, matters, and things as are now or may hereafter be required for the maintenance and operation of the demised railway in conformity with the laws of the Dominion of Canada.

13. That at the expiration or other determination of the said term the Lessee will yield up the demised railway and other immovable property to the Lessor in as good general plight and condition as the same were at the commencement of the said lease, save and except the natural deterioration thereof by age and wear and tear.

14. If the Lessor, in completing its necessary financial arrangements, shall desire to transfer by way of security to any person or persons whomsoever or to any corporation hereinafter referred to as "the lender" the right to receive from the Lessee all moneys which may become payable by it under this lease by way of rent or otherwise howsoever, the Lessee consents that it may do so; and if such transfer be made and if the lender be subrogated in the right of the Lessor in respect thereof, then on the happening of the respective events which in the absence of such transfer would entitle the Lessor to receive and collect any such money or moneys, the Lessee will pay the same direct to the lender. Provided always that the Lessee may from time to time pay such rent or so much thereof as may be necessary for the purpose, direct to the respective holders of the Bonds of the Lessor

Company in satisfaction of the interest thereon as and when such interest shall mature.

15. In case any dispute shall arise as to the correctness of statements or accounts of earnings to be from time to time rendered by the Lessee as aforesaid, the same shall from time to time be referred to the final arbitrament and decision of an accountant to be agreed upon by the two companies in writing or failing such agreement to be nominated upon application of either company by the Auditor General of the Dominion of Canada, one week's notice of such application being first given to the other Company.

16. Any such notice may be given by serving the same on the President, Vice-President, Secretary or Treasurer of either Company or by registered letter addressed to its head office.

17. In the event of the non-payment of any one half year's rent under this lease, it shall be lawful for the Lessor to distrain for the amount due for the next preceding half year and the amount shown as due to the Lessor in the account for such preceding half year shall be considered to be fixed and ascertained rent for the purpose of enabling the Lessor to distrain for the same if necessary.

18. Provided always, and it is expressly agreed hereby that if the rent hereby reserved or payable hereunder, or any part thereof, shall be unpaid and shall remain unpaid for ninety days after notice in writing of such default shall be given to the Lessee, although no formal demand shall have been made thereof, or in case of the breach or non-performance of any of the covenants or agreements herein contained on the part of the Lessee and the continuance of such breach after thirty days' notice thereof in writing, then, and in either of such cases, it shall be lawful for the Lessor or its assigns to annul and set aside this lease and to declare the same to be forfeited

and at an end, and to enter into possession of the demised railway and of all other premises thereby demised, and to have again, repossess and enjoy the same as of its former state, anything herein contained to the contrary notwithstanding.

IN WITNESS WHEREOF the Lessor and the Lessee doth each cause to be set hereto its corporate seal and the signatures of its officials below named.



THE LINDSAY, BOBCAYGEON AND
PONTYPOOL RAILWAY COMPANY

W. T. C. BOYD,
President.

THOS. STEWART,
Secretary.



THE CANADIAN PACIFIC RAILWAY CO'Y

T. G. SHAUGHNESSY,
President,

C. DRINKWATER,
Secretary.





